



THE BUDGET SOLUTION: 2009-2010

MEETING MEDI-CAL'S LONG-TERM DEMANDS

ACHIEVING BUDGET SAVINGS WITH LONG-TERM REFORM TO IMPROVE MEDI-CAL

“We're also very happy that in this budget we make government more efficient and also we are cutting the waste, fraud and abuse in some of the programs.” (Gov. Schwarzenegger, 7/20/09)

Due to greater use of services, increased costs in the health care system and more individuals becoming eligible for services, Medi-Cal has been growing at a rate of approximately 8 percent per year. Since 2004, the Governor has been clear that Medi-Cal is unsustainable without fundamental reforms. Within the budget negotiations, the Governor fought for comprehensive restructuring proposals that will modernize the enrollment system and improve care coordination. With these structural reforms, Medi-Cal will be able to continue serving low-income, vulnerable Californians, while increasing program efficiency.

Governor's Reforms:

To ensure that the Medi-Cal program is sustainable, Governor Schwarzenegger fought for the following fundamental changes:

1. **Bringing California's enrollment system into the 21st Century.** The Governor is proposing to shift enrollment functions from the current confusing, labor-intensive paper system to an online process.
 - Modernizing this antiquated process will reduce costs and improve access. Currently, California employs more than 27,000 individuals in 58 counties to process Medi-Cal, CalWORKs and Food Stamp applications that lack uniformity across counties and rely on slow and time-consuming face-to-face and mail-in processes that are only available on weekdays between the hours of 9:00 to 5:00.
 - There are currently multiple county information technology systems in California that could be consolidated so funds are not wasted supporting duplicative and unnecessary technologies.
2. **Improving care coordination for reduced costs.** Slow the Medi-Cal growth rate by providing better care coordination for the various populations receiving Medi-Cal services.
 - Through a partnership with the federal government and stakeholders, California will identify populations for mandatory enrollment into an organized system of healthcare (i.e., a medical home model, enhanced primary care case management or managed care). By providing earlier and appropriate care for seniors and persons with disabilities, those covered by both Medicare and Medi-Cal (dual eligibles) and children with significant or complex medical needs, Medi-Cal will be able use its resources to keep people healthier and avoiding unnecessary emergency room visits.
 - Better integration of physical and behavioral health services.

These reforms will lead to a savings of \$1.8 billion annually starting in 2012-13.

Background:

Medi-Cal has been growing at a rate of 8 percent per year. Now, with nearly seven million low-income Californians seeking services, this growth has become unsustainable. Medi-Cal's expansion reflects the growth in health care costs, utilization and caseload, as well as two eligibility expansions in 2001.

- The most expensive-to-treat populations are often using the most inefficient and expensive delivery system for their medical conditions. Ten percent of Medi-Cal beneficiaries account for 74 percent of the total program costs. Within this population, 4 percent account for 60 percent of the costs.
 - Almost 70 percent of the Medi-Cal beneficiaries with disabilities suffer from two or more chronic conditions, and almost one-quarter of the population suffers from four or more chronic conditions.
 - Medi-Cal has over 1 million dual-eligibles (persons enrolled in both Medi-Cal and Medicare). These individuals are 100 percent more likely to be in poor health, 50 percent more likely to have diabetes, and 600 percent more likely to reside in a nursing facility. (Cite: The Henry J. Kaiser Family Foundation, *Medicare Chartbook*, Third Edition, Summer 2005)